Owensboro Health

Office of Health Policy
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Owensboro Health

About Us

Owensboro, Kentucky

- City population of around 58,500
- Located in Daviess County with about 100,000 population
- 1995 merger of Mercy Hospital and Owensboro-Daviess County Hospital led to consolidation of services into one location. Savings of $25 million in capital renovation when one campus was demolished.
- Largest Employer in the area with 3,500 FT employees.

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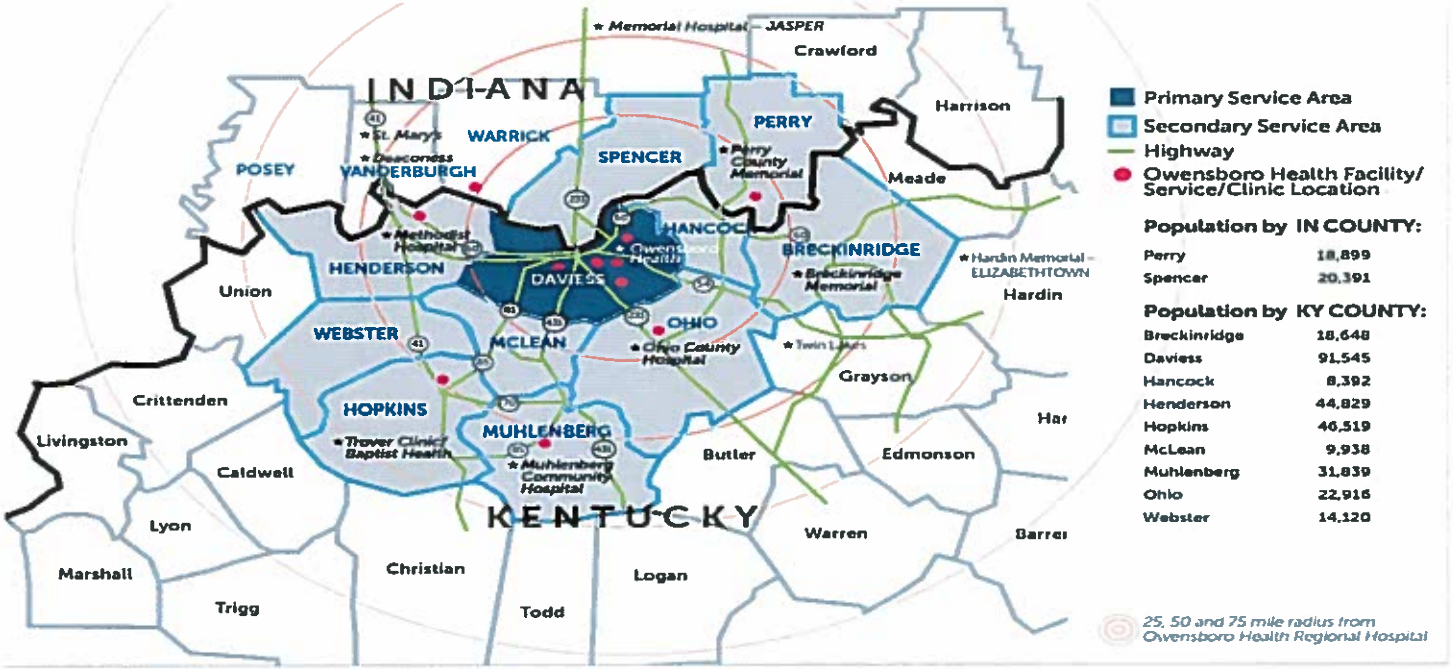
About Us

- 477 Bed Sole Community Hospital/Rural Referral Center
- All Services except Level III NICU, Burns, and Transplants
- 129 Employed Physicians and Mid-Level Practitioners



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Intersection of Finance/Quality/Community Benefit

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Quality is Job One

- In 2003 the Board of Directors sets quality as system imperative
- Community Needs & Accountability moves from informational and "tithing" program into a formalized grant program
- Quality investments (Wounds, VAP, Reducing Falls)
- Transitions of Care Project/CMS
- IHI Involvement and Initiatives…."Hospitals that totally commit to providing optimal experiences for their patients, families and staff through relentless and measurable quality improvement will significantly differentiate themselves from their competitors – *Children's Hospital and Health Center, San Diego*

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Healthgrades

- One of America's 100 Best™ Hospitals 2014, 2013
- Distinguished Hospital Award for Clinical Excellence 2014, 2013, 2012, 2011, 2010, 2009
- Emergency Medicine Excellence Award 2012, 2011
- Women's Health Excellence Award 2010/2011-2013
- Critical Care Excellence Award™ 2014, 2013, 2012, 2011
- Pulmonary Care Excellence Award™ 2014, 2013, 2012, 2011, 2010
- Stroke Care Excellence Award™ 2013, 2012
- Outstanding Patient Experience Award™ 2012

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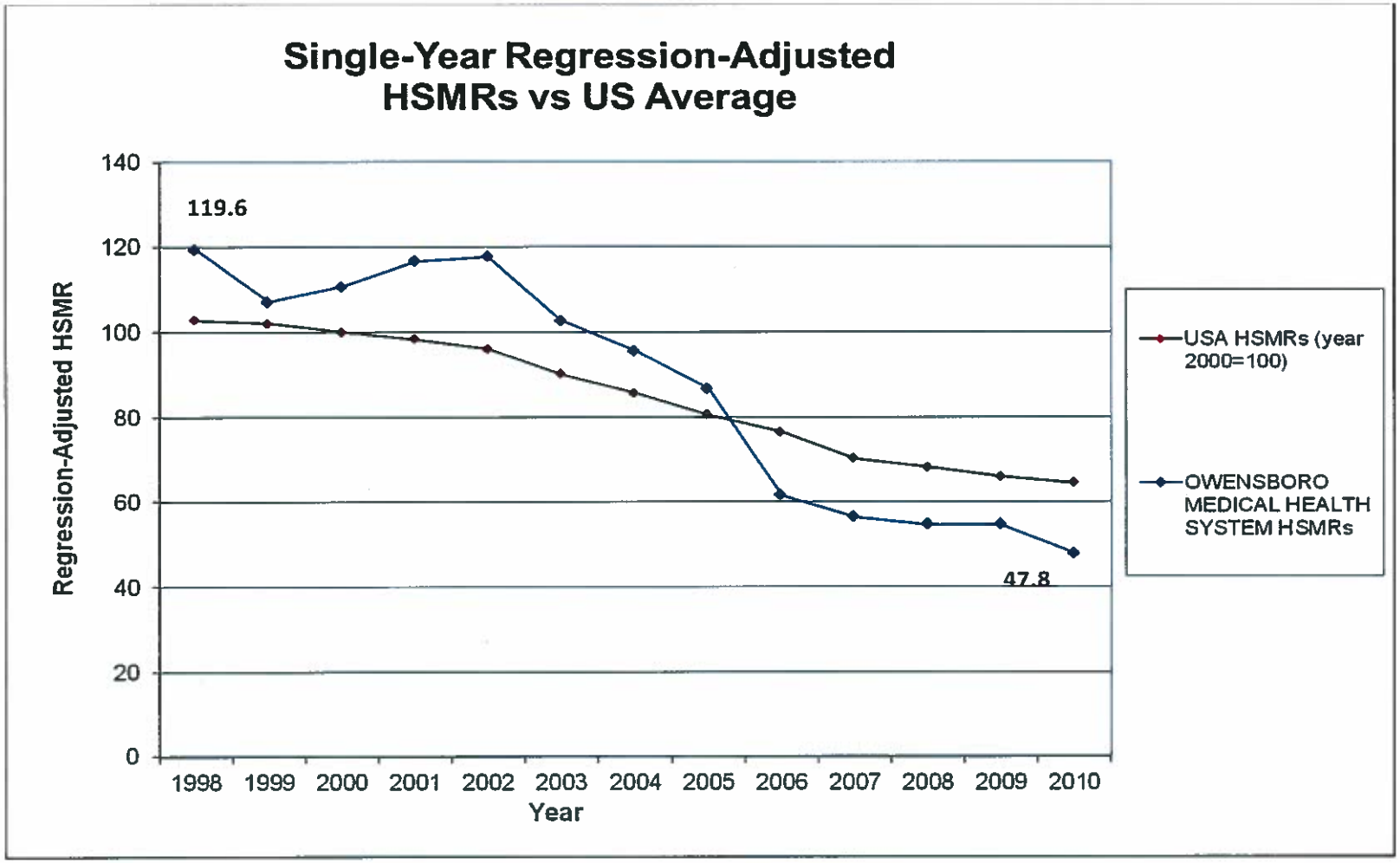
Hospital Standardized Mortality Rate



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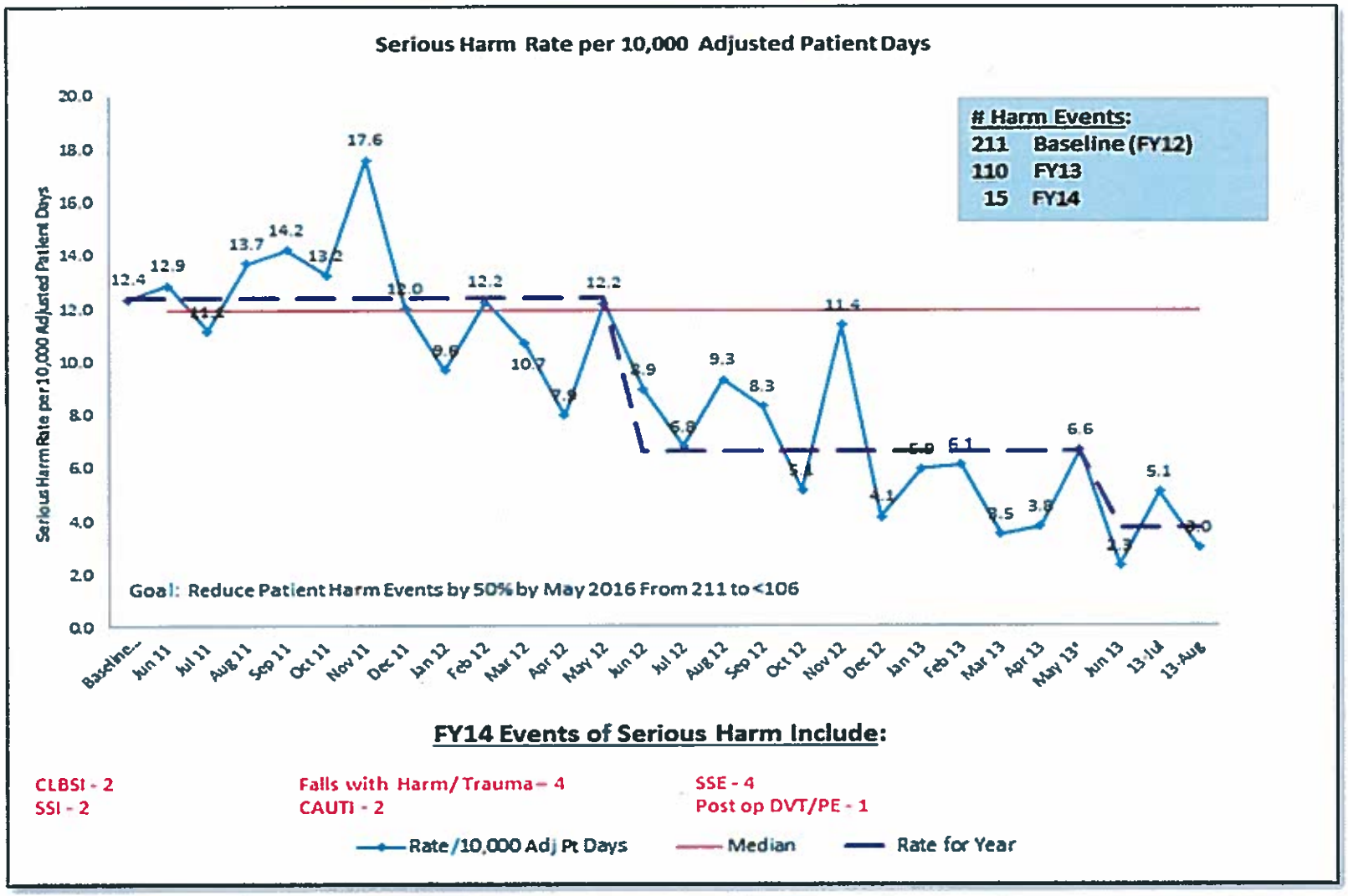
Safety Events



FY14 Events of Serious Harm Include:

CLBSI - 2
SSI - 2

Falls with Harm/Trauma – 4
CAUTI - 2

SSE - 4
Post op DVT/PE - 1

Rate/10,000 Adj Pt Days — Median — Rate for Year

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Medicare

- One of two sites in Kentucky Participating in the CMS Community-based Care Transitions Program (CCTP)
- Began two years ago
- Multiple providers/payors
- Goal to improve care transitions from the hospital to other settings,reduce readmissions and improve quality of care.

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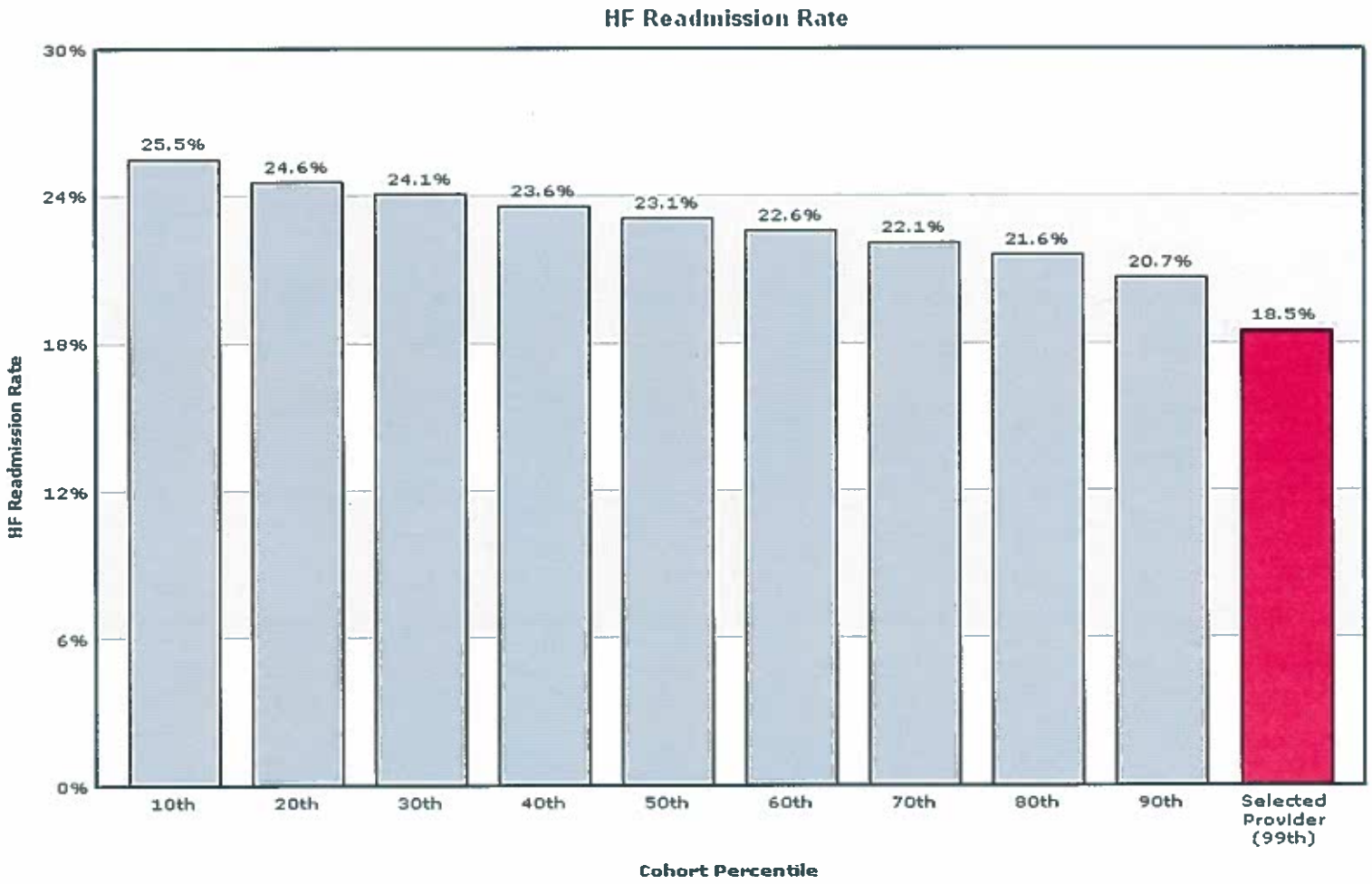
Heart Failure Readmissions



Source: The Advisory Board Company

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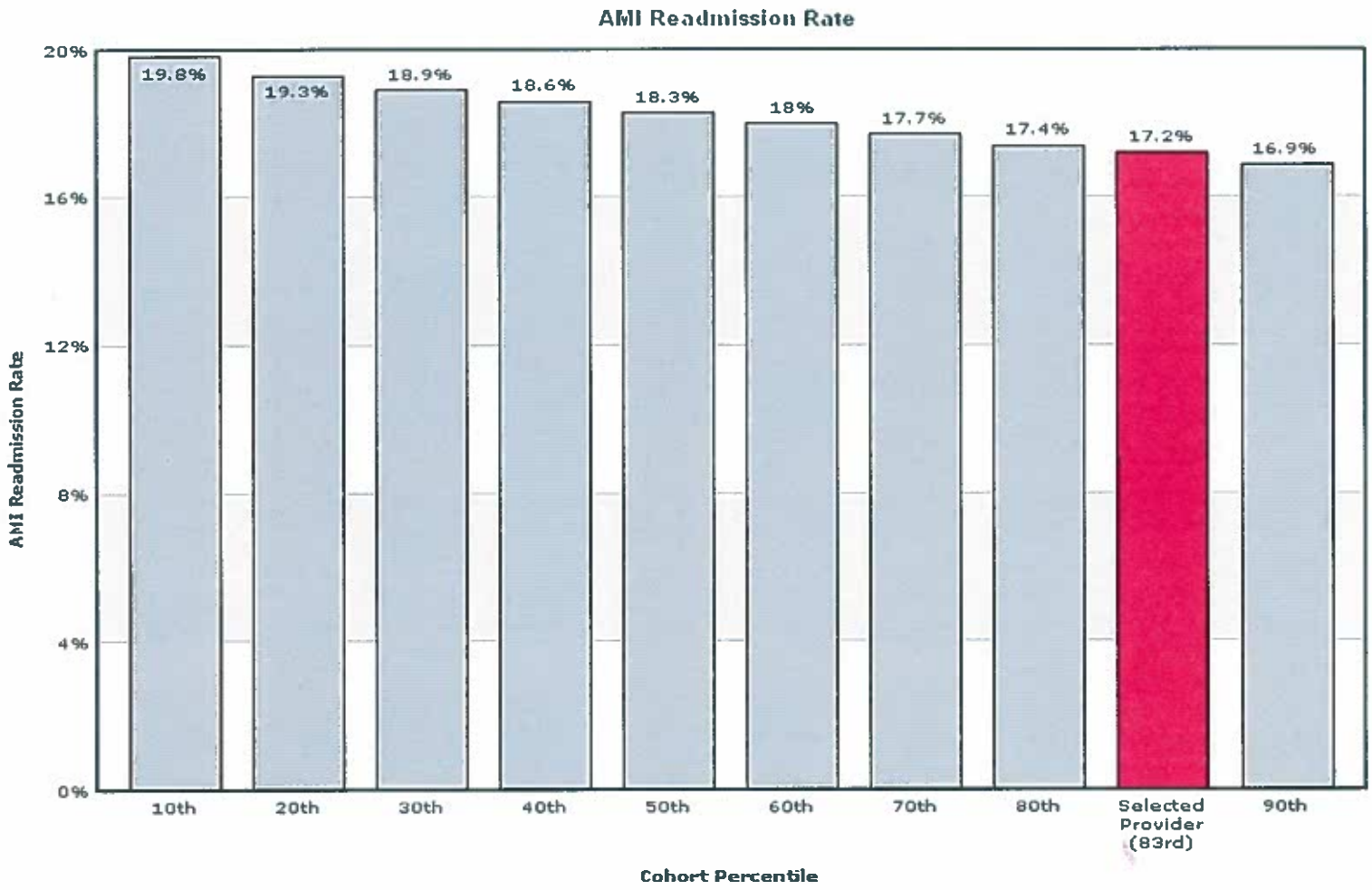
AMI Readmissions



Source: The Advisory Board Company

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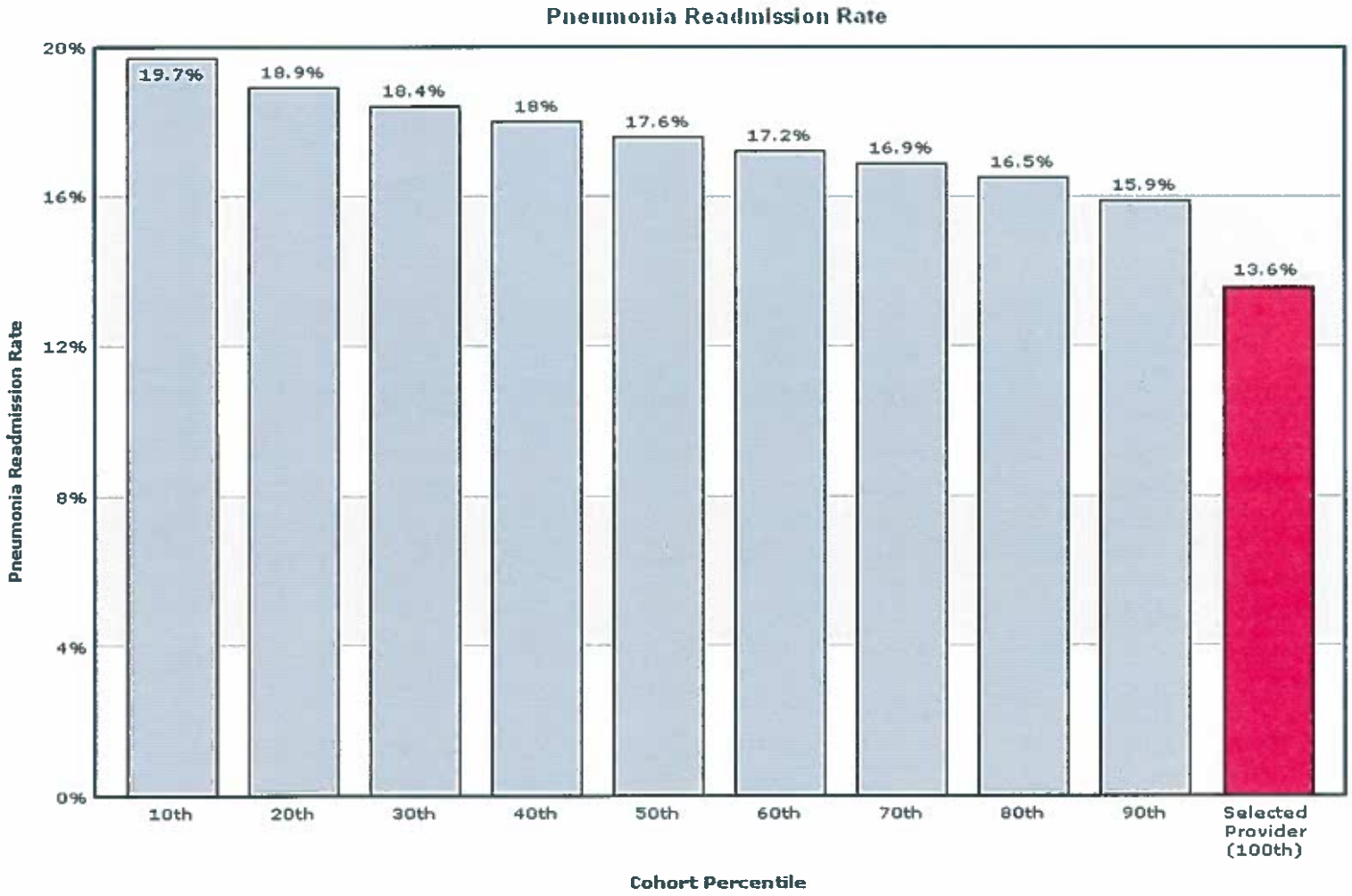
Pneumonia Readmissions



Source: The Advisory Board Company

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Good financial returns will not necessarily bring quality but good quality will bring positive financial returns.

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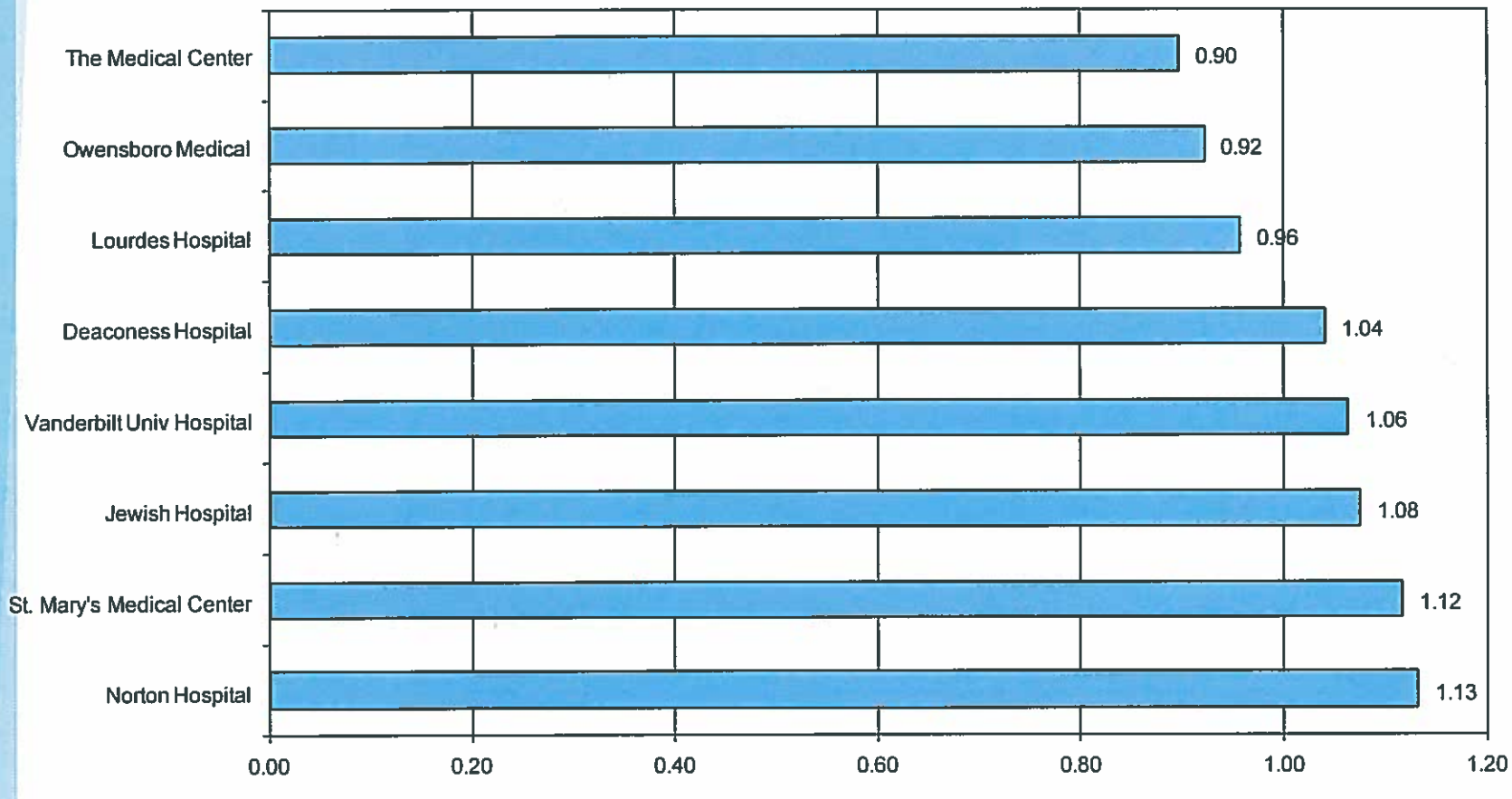
OHRH Charges vs. Region



Source: Cleverly And Associates, 2013 Medicare Data

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OHRH Inpatient Charges

If Owensboro Health Charged at other facility prices:

- Vanderbilt +$16 million annually
- Jewish +$22 million annually
- St. Mary's +$32 million annually
- Norton Hospital +$35 million annually

Source: Cleverly and Associates, 2013 Medicare data

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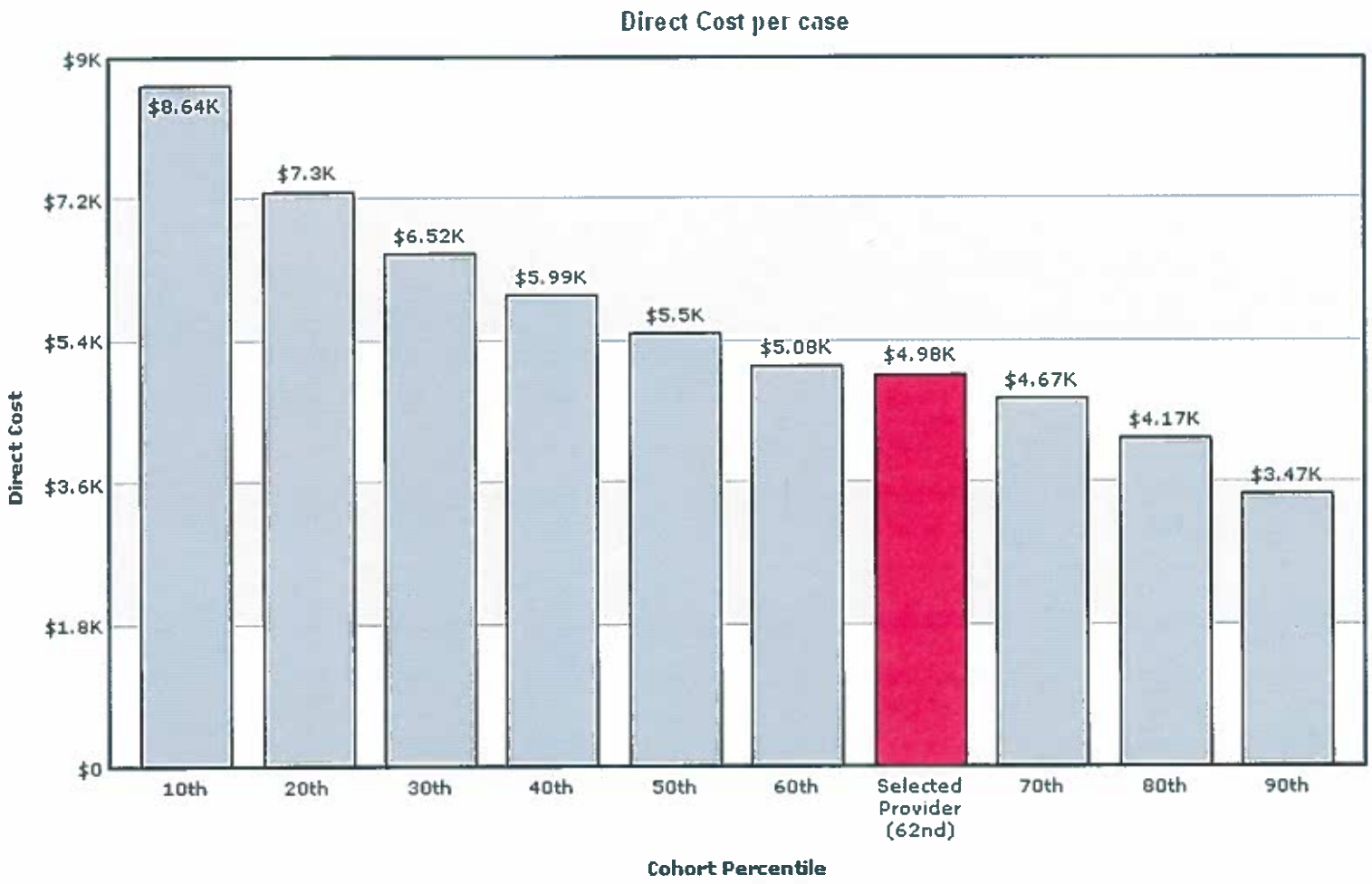
Direct Cost per Case



Source: The Advisory Board Company

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Medicare Costs

- CMS Hospital Specific Medicare Spending Per Beneficiary Measure (MSPB)
- FY 2015 VBP Measure
- Assesses Medicare Part A/B payments for services provided from 3 days prior to admission to 30 days after discharge.
- OHRH is in top quartile of this cost measure (to the good)

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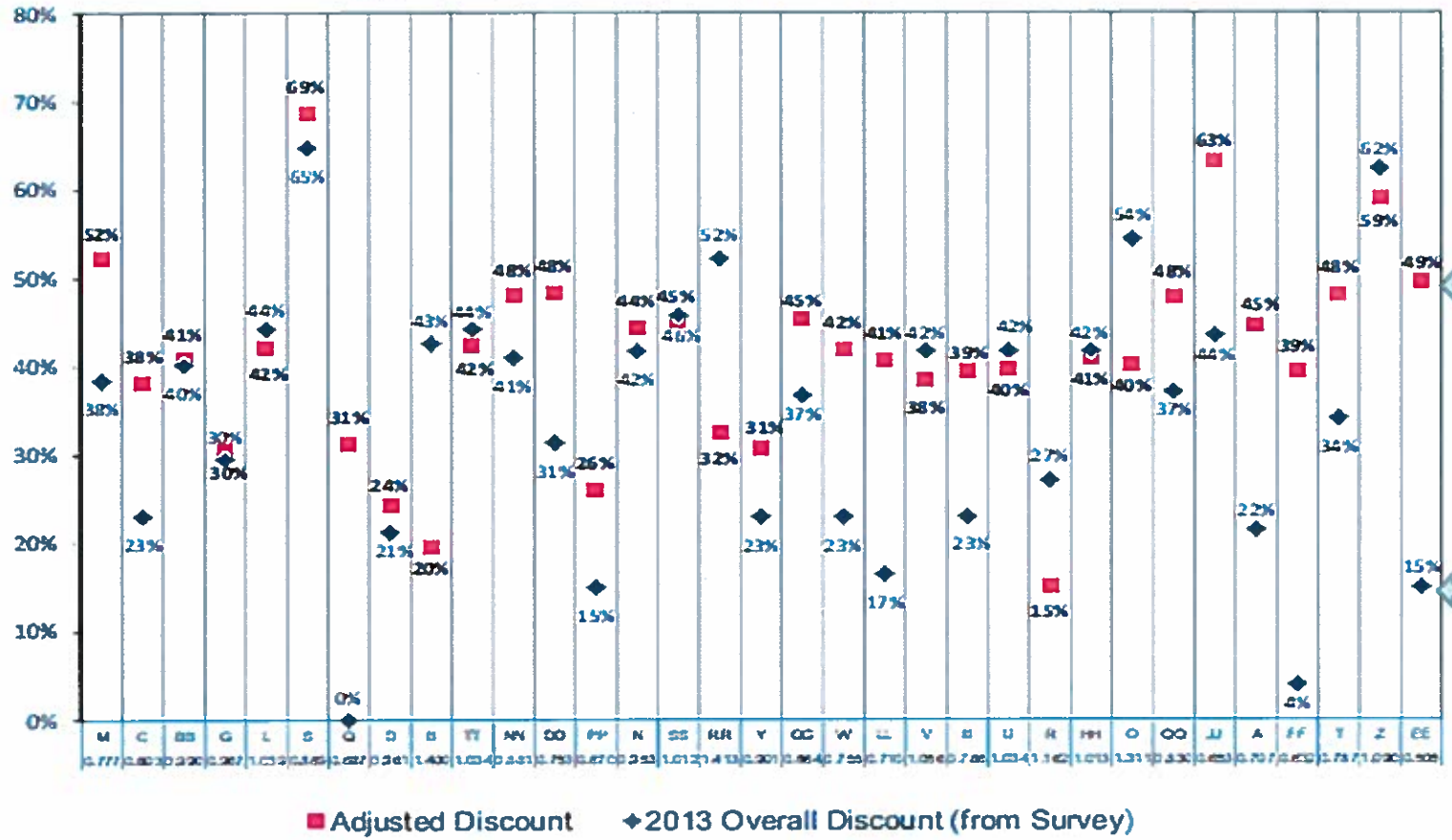
Employer /Commercial Costs

Comparison of Anthem Overall Effective Discount (from Survey) to the Calculated Adjusted Effective* Discount by Hospital



Effective Discount when charges are adjusted to equivalent level for all hospitals

Contracted Discount Rate

Source: VHA Payor Survey

* Effective discount is calculated by normalization of top 50 MedPar DRGs by volume for participating hospitals

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Service Lines

- OHRH has shouldered the burden of unprofitable service lines while other providers have abandoned these services. (Obstetrics, Psych/Chemical Dependency, Subsidy of Physician Specialties)
- Inpatient vs. Outpatient Margins
- Overhead of sick patients (Inpatient, Emergency Room, OB, etc.)

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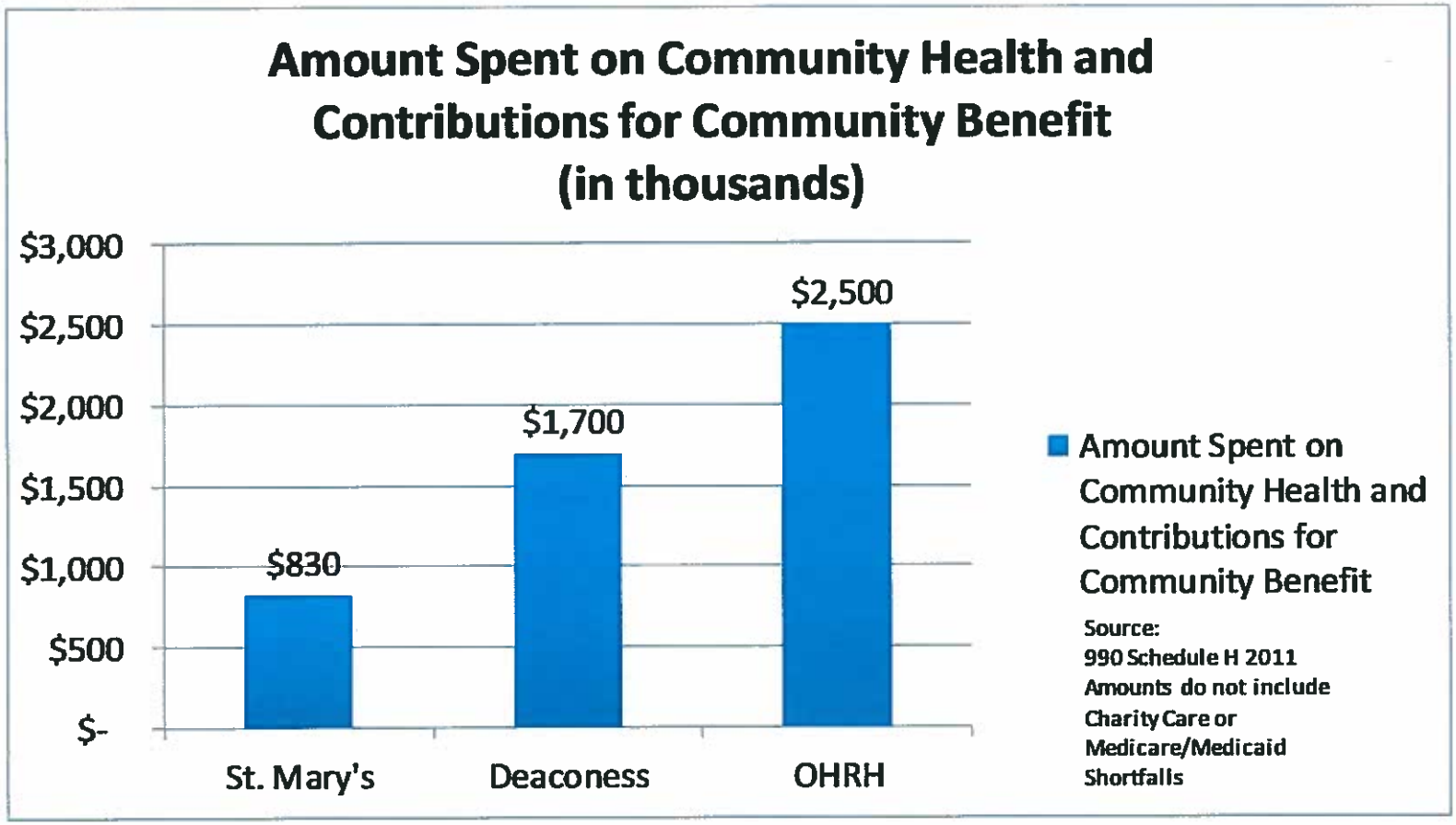
Charity and Community Benefits at Cost



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OHRH Charity Care

- Pre-Merger level of charity care was $4.5 million
- Post Merger:
  - 1997 - $6.5 million
  - 2006 - $16.7 million
  - 2010 - $25.9 million
  - 2014 - $34.4 million

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Medicaid Expansion

- Managed Care Organizations (MCOs)
  - Policies
  - Readmissions
  - ED Triage
  - P4P
- Future Costs
- New Volume or Payor Mix Shift
- Charity Impacts
- 501R Impacts

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New Frontiers in Finance & Community Benefit

- Evolving Community Benefit & the grant program
- No longer just the indigent…HDHP and no first dollar coverage
- Access to care….program specific
- Employer needs…impacting health status
- Epic, MyChart, EMR
- Wellness needs and screenings

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Intersection of Finance/Quality/Community Benefit

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CON Removal/Adjustments Impacts

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Riverview Surgery Center

- Established August of 2012
- 3,000 cases moved from region
- Physician referral control
- Out of Network Strategy
- Financial Impact to Employers and Community estimated at $15 Million per year.

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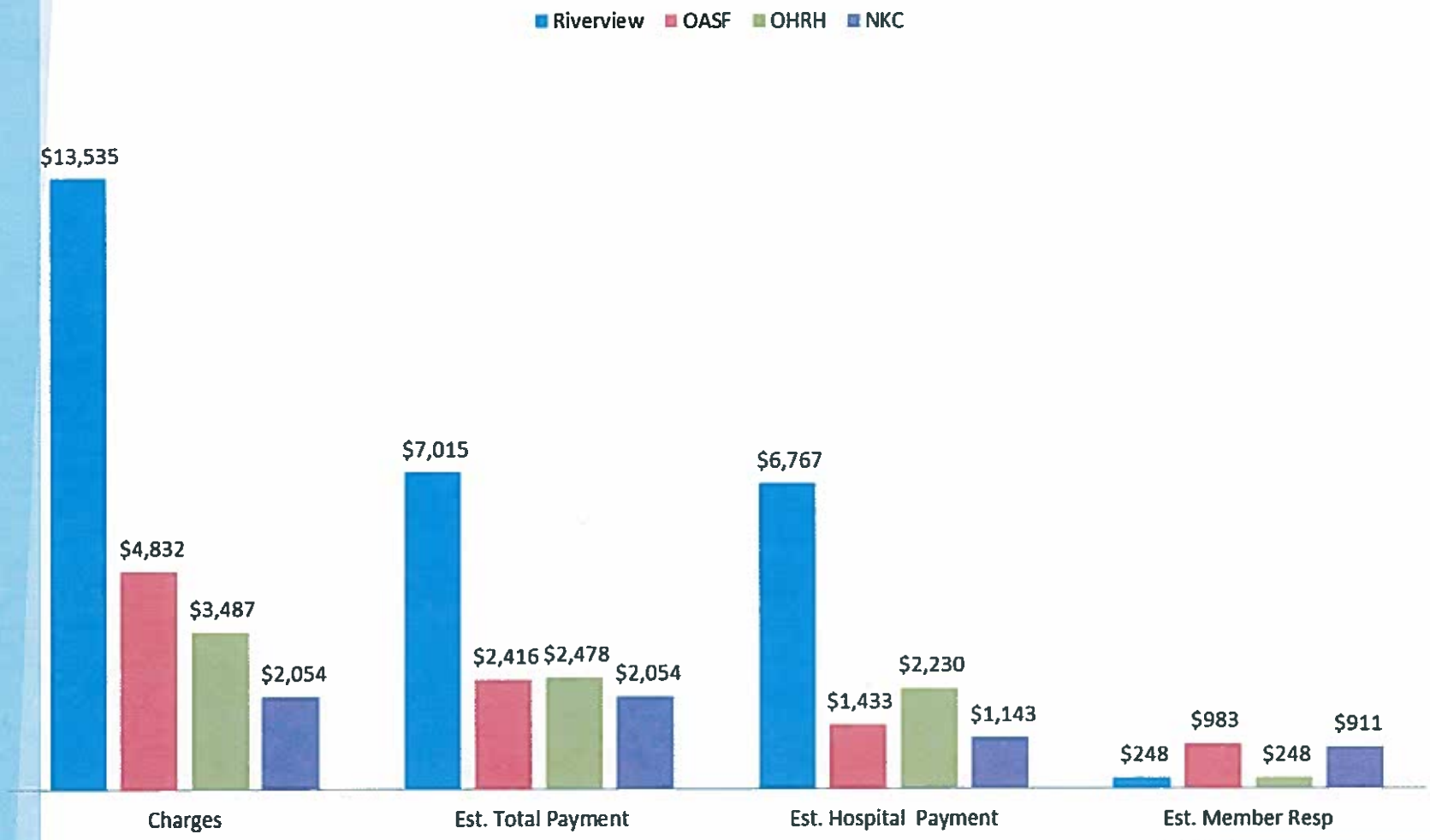
Outpatient Surgery- Ear Tubes



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Pennsylvania Average Operating Margins

- 1994 – 2.07%
- 1995 – 2.65%
- 1996 – 2.39%
- 1997 – 2.95%
- Sunset of Certificate of Need
- 1998 – 1.05%
- 1999 – (0.27)%
- 2000 – 0.89%
- 2001 – 2.00%
- 2002 – 2.05%
- 2003 – 2.16%
- 2004 – 1.99%
- 2005 – 3.52%
- 2009 – 3.53%
- 2013 – 4.69%

Source: Pennsylvania Health Care Cost Containment Council

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Uncompensated Care to Total Gross Patient Revenue

- Pennsylvania
- 1997 Uncompensated Care to GPR – 4.69%
- 2004 Uncompensated Care to GPR – 2.15%
- 2013 Uncompensated Care to GPR – 2.81%

- Owensboro
- 1997 Uncompensated Care to GPR – 6.29%
- 2006 Uncompensated Care to GPR – 6.37%
- 2013 Uncompensated Care to GPR – 7.32%

(Uncompensated care is estimate of the amount of revenue hospital lost due to bad debt and charity care. This foregone revenue reflects what the hospital would have received if they had been reimbursed for the uncompensated care.)

Source: Pennsylvania Health Care Cost Containment Council & OMHS financial statements

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Pennsylvania (1998-2004)

- In 2004, there were 182 general acute care hospitals in Pennsylvania. 120 of these hospitals or 66% had a 3 year negative average total margin at some point during FY 1998 through FY 2004.
- Seven Hospitals have closed during this timeframe
- Large Safety-Net Tertiary System Closed - St. Francis Health System in Pittsburgh which had 2,350 employees prior to closing in 2002.
- 20% of the 120 merged or affiliated with another health system in the state. (e.g. AHERF and West Penn)
- Wage & Economic Impacts (Medicare wage index for Pittsburgh was 1.0 (100% national) before CON sunset, now is .85 (85% of national rate)

Source: Pennsylvania Health Care Cost Containment Council

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Medicare Wage Index

- Medicare adjusts payments "for area differences in hospital wage levels by a factor (established by the Secretary) reflecting the relative hospital wage level in the geographic area of the hospital compared to the national average hospital wage level".
- Wages Freezes in Pittsburgh region after CON Sunset
- Wage index and payment reductions (Inpt/Oupt/Etc)
- $50 Million in annual Federal payments not coming into the Pittsburgh region because of this change.
- Lost ground on Wage Index difficult to make up

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Pennsylvania For-Profit Insurgence

- Twenty-one hospital converted to for-profit status from 1999-2005
- Tenet acquired eight hospitals from 1998-2002
- Community Health Systems, Inc. acquired seven hospitals from 1999-2005
- Health Management Associates acquired three hospitals from 1999-2001
- Universal Health Services, Province Healthcare, and Tri-County Health System acquired one hospital each from 2001-2005

Source: Pennsylvania Health Care Cost Containment Council

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Post CON Cardiac Surgery In Pennsylvania

- In 1995, Pennsylvania had 43 hospitals that offered open heart procedures. The volume averaged 600 cases per center. Average charges per case ranged from $27,500 to $106,000.

- In 2003, Pennsylvania had 63 hospitals that offered open heart procedures. The volume averaged 390 cases (with the lowest center completing only 98 cases). Average charges per case ranged from $39,000 to $369,000.

Source: Pennsylvania Health Care Cost Containment Council

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Post CON Cardiac Surgery In Pennsylvania

- In 2003, PHC4 findings showed that surgeons who performed higher numbers of procedures (200-250 procedures) had patients twice as likely to survive after bypass surgery as patients of surgeons with less than 100 procedures per year.
- In 2003, 65 physicians were listed as performing less than 100 open heart procedures in the state.
- Seventeen hospital programs were under 200 cases per year which is the benchmark set by the American College of Surgeons for programs to be efficient and have quality outcomes.

Source: Pennsylvania Health Care Cost Containment Council

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Pennsylvania

- Legislator introduced Legislation in mid 2012 to bring back certificate of need to Pennsylvania.
- Proposed law would require the Department of Health to draft a State Health Improvement Plan to identify areas of need and saturation, establish an 11-member review board and make health care providers obtain approval for any hospital expenditure above $2 million, any new equipment or improvements for an ambulatory surgical facility above $1 million and any new high-cost technology above $500,000
- 2011 Study showed Pennsylvania is one of 14 states that do not oversee medical spending, and it's among the top 10 in borrowing for hospital construction in the four years from 2007-2011
- $240 Million UPMC East opened less than a mile from 218-bed Forbes Regional Hospital.

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Sole Community Hospitals

- Medicare Designation with criteria that hospital must meet to qualify for the program. Hospital is essentially sole provider to a patient population and geographic area.
- Kentucky has eight (8) designated Sole Community Hospitals (SCH).
- Medicaid has never recognized Sole Community Hospitals in the same manner as Critical Access Hospitals.
- The eight SCHs in Kentucky bring in $50 Million in enhanced Federal payments to the state annually.

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CON Modernization

- Evolution of Care
- Development of Full Continuum of Care
- Access
- Quality
- Value
- Efficient Technology
- Changes in CON

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